

**COLLINS-MAXWELL
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
BOARD OF EDUCATION		
(Before September, 2002 Election)		
Bob Pritchard	President	2005
Cindy Patterson	Vice President	2003
Tom Kimberley		2004
Lowell Crouse		2003
Tony Sorenson		2004

(After September, 2002 Election)		
Bob Pritchard	President	2005
Lowell Crouse	Vice President	2006
Tom Kimberley		2004
Tony Sorenson		2004
Cindy Patterson		2006

SCHOOL OFFICIALS

Patrick Sullivan	Superintendent
Bonnie Mitchell	District Secretary/ Treasurer

Independent Auditor's Report

To The Board of Education of the
Collins-Maxwell Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Collins-Maxwell Community School District, Maxwell, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Collins-Maxwell Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 7 to the financial statements, during the year ended June 30, 2004, Collins-Maxwell Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated August, 25, 2004 on our consideration of Collins-Maxwell Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 33 thru 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Collins-Maxwell Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

August 25, 2004

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Collins-Maxwell Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,732,257 in fiscal 2003 to \$3,756,152 in fiscal 2004, while General Fund expenditures increased from \$3,524,306 in fiscal year 2003 to \$3,687,194 in fiscal 2004.
- The increase in General Fund revenues was attributable to an increase in miscellaneous revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. The General Fund balance increased due to a reduction in discretionary expenditures.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in a decrease in interest earnings in the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The statement for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Collins-Maxwell Community School District

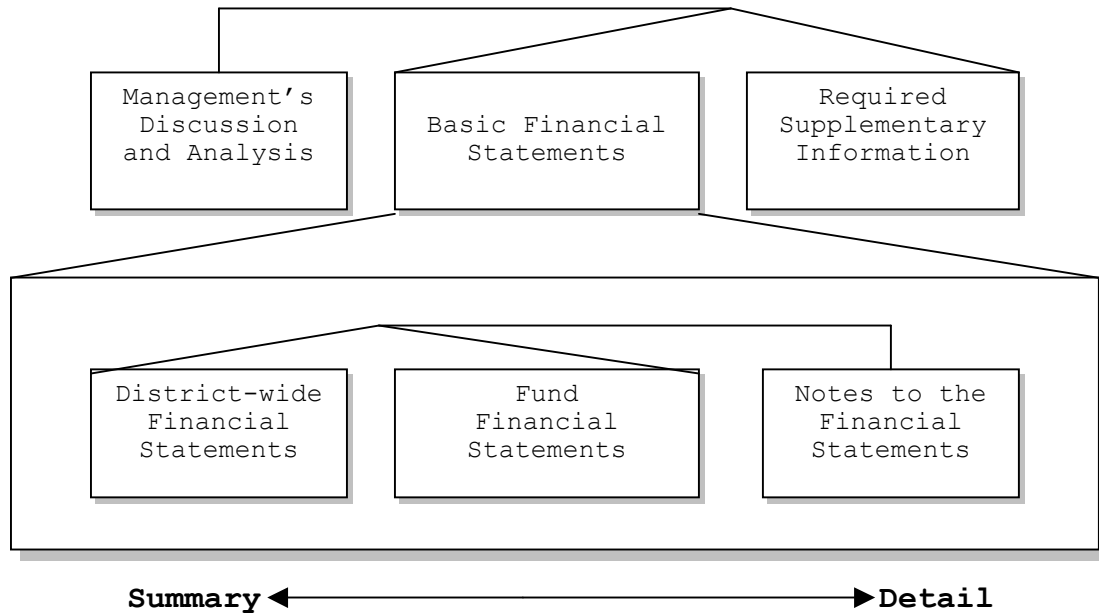


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

District-wide Financial Statements

The two District-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid, finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Reconciliations between the district-wide financial statements and the fund financial statements follow the fund financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to June 30, 2003.

Figure A-3 Condensed Statement of Net Assets (expressed in thousands)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
	\$	\$	\$	\$	\$	\$	
Current assets	2,983	3,228	52	41	3,035	3,269	-7.16%
Capital assets	<u>4,368</u>	<u>4,610</u>	<u>10</u>	<u>11</u>	<u>4,378</u>	<u>4,621</u>	<u>-5.26%</u>
Total assets	<u>7,351</u>	<u>7,838</u>	<u>62</u>	<u>52</u>	<u>7,413</u>	<u>7,890</u>	<u>-6.05%</u>
Current liabilities	1,439	1,717	-	-	1,439	1,717	-16.19%
Non-current liabilities	<u>2,815</u>	<u>2,990</u>	<u>-</u>	<u>-</u>	<u>2,815</u>	<u>2,990</u>	<u>-5.85%</u>
Total liabilities	<u>4,254</u>	<u>4,707</u>	<u>-</u>	<u>-</u>	<u>4,254</u>	<u>4,707</u>	<u>-9.62%</u>
Net Assets							
Invested in capital assets, net of related debt	1,361	1,620	10	11	1,371	1,631	-15.94%
Unrestricted	<u>1,736</u>	<u>1,511</u>	<u>52</u>	<u>41</u>	<u>1,788</u>	<u>1,552</u>	<u>15.21%</u>
Total net assets	<u>3,097</u>	<u>3,131</u>	<u>62</u>	<u>52</u>	<u>3,159</u>	<u>3,183</u>	<u>-0.75%</u>

The District's combined net assets were smaller at June 30, 2004 than June 30, 2003. The decrease occurred as a combined result of decreased tax revenue from the state of Iowa and depreciation on capital assets.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4 Change in Net Assets (expressed in thousands)			
	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	122	92	214
Operating grants, contributions and restricted interest	581	67	648
General revenues:			
Property tax	1,398	-	1,398
Income surtax	44	-	44
Local option sales tax	314	-	314
Unrestricted state grants	1,856	-	1,856
Unrestricted investment earnings	28	-	28
Other	15	-	15
Total revenues	<u>4,358</u>	<u>159</u>	<u>4,517</u>
Program expenses:			
Governmental activities:			
Instruction	2,601	-	2,601
Support Services	1,268	-	1,268
Non-instructional programs	3	149	152
Other expenses	507	-	507
Total expenses	<u>4,379</u>	<u>149</u>	<u>4,528</u>
Change in net assets	<u>(21)</u>	<u>10</u>	<u>(11)</u>

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,358,027 and expenses were \$4,379,352.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5		
Total and Net Cost of Governmental Activities		
(expressed in thousands)		
	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	2,601	2,047
Support Services	1,268	1,267
Non-instructional programs	3	3
Other expenses	<u>507</u>	<u>359</u>
Totals	<u>4,379</u>	<u>3,676</u>

- The cost financed by users of the District's programs was \$122,126.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$581,441.
- The net cost of governmental activities was financed with \$1,397,196 in property tax, \$1,813,788 in state foundation aid, and \$27,598 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$158,709 and expenses were \$149,191. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District held meal prices steady.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Collins-Maxwell Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of 3,096,992, a one percent decrease under last year's ending fund balances of \$3,118,317. Including depreciation expenses as required by GASB 34 caused the balance to decrease. Depreciation expenses totaled over \$240,000.

Governmental Fund Highlights

- The District maintained its General Fund balance by cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items.
- The maintaining of funds was made even more difficult with the state completely eliminating the Phase III money and the technology money.

- Several energy conservation projects were completed. These included new lighting fixtures and improvements to the heating system.
- The District installed a new security system at the High School.
- Story County approved the school Infrastructure Local Option Sales Tax. 75% of the proceeds of this tax will be used to reduce long-term debt, thus reducing the property taxes of district property owners.

Proprietary Fund Highlights

The School Nutrition Fund balance increased due primarily to cost savings measures.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

Legal Budgetary Highlights

The District's receipts were \$6,384 less than budgeted receipts, a variance of less than 1%. The most significant variance resulted from the District receiving less in state aid than originally anticipated, however, this was offset by increased miscellaneous revenues that were larger than anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$4.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 5% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$243,352.

The original cost of the District's capital assets was \$7,657,665. Governmental funds account for \$7,640,070, with the remainder of \$17,595 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
	\$	\$	\$	\$	\$	\$	
Land	226	226	-	-	226	226	0.00%
Site improvements	112	125	-	-	112	125	-10.40%
Buildings	3,727	3,831	-	-	3,727	3,831	-2.71%
Furniture and equipment	303	428	10	11	313	439	-28.70%
Totals	4,368	4,610	10	11	4,378	4,621	-5.26%

Long-Term Debt

At June 30, 2004, the District had \$2,815,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 6% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total		Total
	District		Change
	June 30,		June 30,
	2004	2003	2003-2004
	\$	\$	
General obligation bonds	2,815	2,990	-5.85%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax was passed in Story County and money will begin to be received by the District in July of 2004. The majority of the District's students reside in Story County, thus passage there has the greatest financial impact on the District.
- The District has experienced declining enrollment the past several years.
- For the 2003-04 school year the state cut the District's budget by 2.5%. This was an across the board cut, effecting Phase I & II and Teacher Compensation as well as other areas. This will force the District to make cuts, or use some of the cash on hand. Future state aid cuts have also been discussed. Cuts made during the fiscal year negatively impact the District's balances as adequate expense reductions are not possible.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired). A solution needs to be found.

- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bonnie Mitchell, Business Manager, Collins-Maxwell Community School District, 400 Metcalf St, Maxwell, IA 50161.

Basic Financial Statements

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	1,547,917	47,442	1,595,359
Receivables:			
Property tax:			
Current year	17,308	-	17,308
Succeeding year	1,369,547	-	1,369,547
Income surtax - succeeding year	42,930	-	42,930
Other receivables	5,410	-	5,410
Inventories	-	4,867	4,867
Capital assets, net of accumulated depreciation	4,367,982	9,733	4,377,715
Total assets	<u>7,351,094</u>	<u>62,042</u>	<u>7,413,136</u>
Liabilities			
Accounts payable	13,044	-	13,044
Salaries and benefits payable	1,143	-	1,143
Accrued interest payable	12,438	-	12,438
Deferred revenue:			
Succeeding year property tax	1,369,547	-	1,369,547
Succeeding year income surtax	42,930	-	42,930
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	185,000	-	185,000
Portion due after one year:			
General obligation bonds payable	2,630,000	-	2,630,000
Total liabilities	<u>4,254,102</u>	<u>-</u>	<u>4,254,102</u>
Net assets			
Invested in capital assets, net of related debt	1,552,982	9,733	1,562,715
Restricted for:			
Management levy	62,664	-	62,664
Student activities	26,686	-	26,686
Physical plant and equipment levy	78,320	-	78,320
Debt service	299	-	299
Infrastructure	20,613	-	20,613
Unrestricted	1,355,428	52,309	1,407,737
Total net assets	<u>3,096,992</u>	<u>62,042</u>	<u>3,159,034</u>

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	1,740,332	100,279	253,324	(1,386,729)	-	(1,386,729)
Special instruction	473,026	21,847	80,508	(370,671)	-	(370,671)
Other instruction	387,545	-	98,068	(289,477)	-	(289,477)
	<u>2,600,903</u>	<u>122,126</u>	<u>431,900</u>	<u>(2,046,877)</u>	<u>-</u>	<u>(2,046,877)</u>
Support services:						
Student services	75,025	-	1,871	(73,154)	-	(73,154)
Instructional staff services	189,210	-	-	(189,210)	-	(189,210)
Administration services	458,896	-	-	(458,896)	-	(458,896)
Operation and maintenance of plant services	392,123	-	-	(392,123)	-	(392,123)
Transportation services	153,289	-	-	(153,289)	-	(153,289)
	<u>1,268,543</u>	<u>-</u>	<u>1,871</u>	<u>(1,266,672)</u>	<u>-</u>	<u>(1,266,672)</u>
Non-instructional programs:						
Food service operations	3,000	-	-	(3,000)	-	(3,000)
Other expenditures:						
AEA flowthrough	147,670	-	147,670	-	-	-
Long-term debt interest	157,267	-	-	(157,267)	-	(157,267)
Facilities acquisition and construction	44,641	-	-	(44,641)	-	(44,641)
Depreciation (unallocated) *	157,328	-	-	(157,328)	-	(157,328)
	<u>506,906</u>	<u>-</u>	<u>147,670</u>	<u>(359,236)</u>	<u>-</u>	<u>(359,236)</u>
Total governmental activities	4,379,352	122,126	581,441	(3,675,785)	-	(3,675,785)

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues					
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs:						
Nutrition services	149,191	91,661	67,048	-	9,518	9,518
Total	4,528,543	213,787	648,489	(3,675,785)	9,518	(3,666,267)
General revenues:						
Property tax levied for:						
General purposes				1,210,743	-	1,210,743
Capital outlay				116,564	-	116,564
Management				69,889	-	69,889
Income surtax				44,836	-	44,836
School Infrastructure Local Option Sales Tax				313,862	-	313,862
Unrestricted state grants				1,855,562	-	1,855,562
Unrestricted investment earnings				27,598	-	27,598
Other				15,406	-	15,406
Total general revenue				3,654,460	-	3,654,460
Change in net assets				(21,325)	9,518	(11,807)
Net assets beginning of year, as restated (note 7)				3,118,317	52,524	3,170,841
Net assets end of year				3,096,992	62,042	3,159,034

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,361,583	299	20,613	165,422	1,547,917
Receivables:					
Property tax:					
Current year	15,060	-	-	2,248	17,308
Succeeding year	1,187,901	-	-	181,646	1,369,547
Income surtax - succeeding year	42,930	-	-	-	42,930
Other receivables	5,410	-	-	-	5,410
Total assets	<u>2,612,884</u>	<u>299</u>	<u>20,613</u>	<u>349,316</u>	<u>2,983,112</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	13,044	-	-	-	13,044
Salaries and benefits payable	1,143	-	-	-	1,143
Deferred revenue:					
Succeeding year property tax	1,187,901	-	-	181,646	1,369,547
Succeeding year income surtax	42,930	-	-	-	42,930
Total liabilities	<u>1,245,018</u>	<u>-</u>	<u>-</u>	<u>181,646</u>	<u>1,426,664</u>
Fund balances:					
Reserved for debt service	-	299	-	-	299
Unreserved	1,367,866	-	20,613	167,670	1,556,149
Total fund equity and other credits	<u>1,367,866</u>	<u>299</u>	<u>20,613</u>	<u>167,670</u>	<u>1,556,448</u>
Total liabilities and fund balances	<u>2,612,884</u>	<u>299</u>	<u>20,613</u>	<u>349,316</u>	<u>2,983,112</u>

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	\$ 1,556,448
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,367,982
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(12,438)
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(2,815,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 3,096,992</u></u>

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	1,255,579	-	313,862	180,223	1,749,664
Tuition	122,126	-	-	-	122,126
Other	51,885	-	4,096	97,464	153,445
State sources	2,205,284	-	-	6,230	2,211,514
Federal sources	121,278	-	-	-	121,278
Total revenues	<u>3,756,152</u>	<u>-</u>	<u>317,958</u>	<u>283,917</u>	<u>4,358,027</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,689,043	-	-	3,657	1,692,700
Special instruction	473,026	-	-	-	473,026
Other instruction	<u>273,092</u>	<u>-</u>	<u>-</u>	<u>114,453</u>	<u>387,545</u>
	<u>2,435,161</u>	<u>-</u>	<u>-</u>	<u>118,110</u>	<u>2,553,271</u>
Support services:					
Student services	75,025	-	-	-	75,025
Instructional staff services	189,210	-	-	-	189,210
Administration services	458,896	-	-	-	458,896
Operation and maintenance of plant services	267,823	-	-	121,500	389,323
Transportation services	<u>110,409</u>	<u>-</u>	<u>-</u>	<u>8,755</u>	<u>119,164</u>
	<u>1,101,363</u>	<u>-</u>	<u>-</u>	<u>130,255</u>	<u>1,231,618</u>
Non-instructional programs:					
Community service and education operations	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Expenditures (continued):					
Other expenditures:					
AEA flowthrough	147,670	-	-	-	147,670
Long-term debt:					
Principal	-	175,000	-	-	175,000
Interest	-	157,982	-	-	157,982
Facilities acquisition and construction	-	-	-	44,641	44,641
	<u>147,670</u>	<u>332,982</u>	<u>-</u>	<u>44,641</u>	<u>525,293</u>
 Total expenditures	<u>3,687,194</u>	<u>332,982</u>	<u>-</u>	<u>293,006</u>	<u>4,313,182</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>68,958</u>	<u>(332,982)</u>	<u>317,958</u>	<u>(9,089)</u>	<u>44,845</u>
 Other financing sources(uses):					
Transfer from Capital Projects Fund	-	327,000			327,000
Transfer to Debt Service Fund	-	-	(327,000)	-	(327,000)
	<u>-</u>	<u>327,000</u>	<u>(327,000)</u>	<u>-</u>	<u>-</u>
 Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>68,958</u>	<u>(5,982)</u>	<u>(9,042)</u>	<u>(9,089)</u>	<u>44,845</u>
 Fund balances beginning of year, as restated (note 7)	<u>1,298,908</u>	<u>6,281</u>	<u>29,655</u>	<u>176,759</u>	<u>1,511,603</u>
 Fund balances end of year	<u>1,367,866</u>	<u>299</u>	<u>20,613</u>	<u>167,670</u>	<u>1,556,448</u>

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2004

Net change in fund balances - total governmental funds (Exhibit E) \$ 44,845

**Amounts reported for governmental activities in the
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amount of depreciation expense in the year is as follows:

Depreciation expense (241,885)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

General obligation bonds 175,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

715

Change in net assets of governmental activities (Exhibit B) \$ (21,325)

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>91,661</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	61,493
Benefits	7,991
Supplies	78,240
Depreciation	<u>1,467</u>
Total operating expenses	<u>149,191</u>
Operating (loss)	<u>(57,530)</u>
Non-operating revenues:	
State sources	2,623
Federal sources	63,865
Interest income	<u>560</u>
	<u>67,048</u>
Changes in net assets	9,518
Net assets beginning of year	<u>52,524</u>
Net assets end of year	<u><u>62,042</u></u>

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	91,661
Cash payments to employees for services	(69,484)
Cash payments to suppliers for goods or services	<u>(64,151)</u>
Net cash (used in) operating activities	<u>(41,974)</u>
Cash flows from non-capital financing activities:	
State grants received	2,623
Federal grants received	<u>52,009</u>
Net cash provided by non-capital financing activities	<u>54,632</u>
Cash flows from investing activities:	
Interest on investments	<u>560</u>
Net (decrease) in cash and cash equivalents	13,218
Cash and cash equivalents beginning of year	<u>34,224</u>
Cash and cash equivalents end of year	<u><u>47,442</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(57,530)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,467
Commodities used	11,857
Decrease in inventory	<u>2,232</u>
	<u>(41,974)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>47,442</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received federal commodities valued at \$11,857.

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The Collins-Maxwell Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Collins and Maxwell, Iowa, and agricultural area in Jasper, Marshall, Polk and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Collins-Maxwell Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Collins-Maxwell Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for funds raised by the one cent School Infrastructure Local Option Sales Tax. These funds are being used for debt retirement and infrastructure expenses.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2004.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2004.

(3) Capital Assets

	Balance Beginning of Year, as restated (note 7)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>226,464</u>	<u>-</u>	<u>-</u>	<u>226,464</u>
Capital assets being depreciated:				
Site Improvements	255,127	-	-	255,127
Buildings	5,460,698	-	-	5,460,698
Furniture and Equipment	<u>1,697,781</u>	<u>-</u>	<u>-</u>	<u>1,697,781</u>
Total capital assets being depreciated	<u>7,413,606</u>	<u>-</u>	<u>-</u>	<u>7,413,606</u>
Less accumulated depreciation for:				
Site Improvements	130,827	12,712	-	143,539
Buildings	1,629,567	104,571	-	1,734,138
Furniture and Equipment	<u>1,269,809</u>	<u>124,602</u>	<u>-</u>	<u>1,394,411</u>
Total accumulated depreciation	<u>3,030,203</u>	<u>241,885</u>	<u>-</u>	<u>3,272,088</u>
Total capital assets being depreciated, net	<u>4,383,403</u>	<u>(241,885)</u>	<u>-</u>	<u>4,141,518</u>
Governmental activities, capital assets, net	<u>4,609,867</u>	<u>(241,885)</u>	<u>-</u>	<u>4,367,982</u>
Business type activities:				
Furniture and equipment	17,595	-	-	17,595
Less accumulated depreciation	<u>6,395</u>	<u>1,467</u>	<u>-</u>	<u>7,862</u>
Business type activities capital assets, net	<u>11,200</u>	<u>(1,467)</u>	<u>-</u>	<u>9,733</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instructional services:				
Regular instruction				47,632
Support services:				
Plant operation and maintenance				2,800
Transportation				34,125
Unallocated				<u>157,328</u>
				<u>241,885</u>
Business Type activities:				
Food service operations				<u>1,467</u>

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$138,147, \$134,023, and \$130,040 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$147,670 for year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

Collins-Maxwell Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA funds current operations and provided capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$248,589.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Collins-Maxwell Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the fiscal year ending June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The District-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	Fund				Total
	General	Debt Service	Capital Projects	Nonmajor Special Revenues	
Net assets, June 30, 2003, as previously reported	\$1,298,908	6,281	29,655	176,759	1,511,603
GASB Interpretation 6 adjustments	-	-	-	-	-
Net assets, July 1, 2003, as restated for governmental funds	<u>\$1,298,908</u>	<u>6,281</u>	<u>29,655</u>	<u>176,759</u>	1,511,603
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of					4,609,867
Accrued interest payable					(13,153)
Long-Term Liabilities:					
Bonds payable					(2,990,000)
Net assets, July 1, 2003, as restated					<u>\$ 3,118,317</u>

(8) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	General Obligation Bonds
Balance beginning of year	\$2,990,000
Additions	-
Reductions	<u>175,000</u>
Balance end of year	<u>\$2,815,000</u>

During the fiscal year ending June 30, 2003, the District refinanced its existing general obligations bonds. Bonds originally due in FY2007 through FY2015 totaling \$2,295,000 were called and paid off on June 1, 2003. Bonds due in FY2004 through FY 2006 totaling \$555,000 are considered to be defeased and will be paid from refinancing proceeds. These funds are held in escrow at Bankers Trust and are considered to be sufficient to retire the defeasance. Savings are estimated to be \$150,000.

Bonded Debt

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	5.00%	185,000	149,258	334,258
2006	5.10	195,000	140,008	335,008
2007	3.00	255,000	80,800	335,800
2008	3.00	260,000	73,150	333,150
2009	3.25	275,000	65,350	340,350
2010	3.25	280,000	56,413	336,413
2011	3.40	285,000	47,312	332,312
2012	3.40	295,000	37,623	332,623
2013	3.40	300,000	27,592	327,592
2014	3.55	310,000	17,393	327,393
2015	3.65	175,000	6,387	181,387
Total		<u>\$2,815,000</u>	<u>701,286</u>	<u>3,516,286</u>

Required Supplementary Information

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Original	Final	Variance -
	\$	\$	\$	\$	\$	\$
Receipts:						
Local sources	2,059,370	92,221	2,151,591	2,212,216	2,212,216	(60,625)
State sources	2,211,514	2,623	2,214,137	2,184,183	2,184,183	29,954
Federal sources	121,278	52,009	173,287	149,000	149,000	24,287
Total receipts	4,392,162	146,853	4,539,015	4,545,399	4,545,399	(6,384)
Disbursements:						
Instruction	2,539,084	-	2,539,084	2,930,000	2,930,000	390,916
Support services	1,231,618	-	1,231,618	1,665,000	1,665,000	433,382
Non-instructional programs	3,000	133,635	136,635	295,000	295,000	158,365
Other expenditures	525,293	-	525,293	628,626	628,626	103,333
Total disbursements	4,298,995	133,635	4,432,630	5,518,626	5,518,626	1,085,996
Excess (deficiency) of receipts over (under) disbursements	93,167	13,218	106,385	(973,227)	(973,227)	1,079,612
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	93,167	13,218	106,385	(973,227)	(973,227)	1,079,612
Balance beginning of year	1,454,750	34,224	1,488,974	1,032,774	1,032,774	456,200
Balance end of year	1,547,917	47,442	1,595,359	59,547	59,547	1,535,812

See accompanying independent auditor's report.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Type		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	4,392,162	(34,135)	4,358,027
Expenditures	4,298,995	14,187	4,313,182
Net	93,167	(48,322)	44,845
Other financing sources (uses)	-	-	-
Beginning fund balances	1,454,750	56,853	1,511,603
Ending fund balances	<u>1,547,917</u>	<u>8,531</u>	<u>1,556,448</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	146,853	11,856	158,709
Expenditures	133,635	15,556	149,191
Net	13,218	(3,700)	9,518
Beginning fund balances	34,224	18,300	52,524
Ending fund balances	<u>47,442</u>	<u>14,600</u>	<u>62,042</u>

See accompanying independent auditor's report.

Collins-Maxwell COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functions expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Other Supplementary Information

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2004

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	61,824	26,686	76,912	165,422
Property tax receivable:				
Current year	840	-	1,408	2,248
Succeeding year	<u>80,000</u>	<u>-</u>	<u>101,646</u>	<u>181,646</u>
Total assets	<u>142,664</u>	<u>26,686</u>	<u>179,966</u>	<u>349,316</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>80,000</u>	<u>-</u>	<u>101,646</u>	<u>181,646</u>
	<u>80,000</u>	<u>-</u>	<u>101,646</u>	<u>181,646</u>
Fund equity:				
Unreserved, undesignated fund balance	<u>62,664</u>	<u>26,686</u>	<u>78,320</u>	<u>167,670</u>
	<u>62,664</u>	<u>26,686</u>	<u>78,320</u>	<u>167,670</u>
Total liabilities and fund equity	<u>142,664</u>	<u>26,686</u>	<u>179,966</u>	<u>349,316</u>

See accompanying independent auditor's report.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	67,558	-	112,665	180,223
Other	1,029	92,355	4,080	97,464
State sources	<u>2,331</u>	<u>-</u>	<u>3,899</u>	<u>6,230</u>
Total revenues	<u>70,918</u>	<u>92,355</u>	<u>120,644</u>	<u>283,917</u>
Expenditures:				
Instruction:				
Regular instruction	3,657	-	-	3,657
Co-curricular instruction	-	114,453	-	114,453
Support services:				
Plant operation and maintenance	36,509	-	84,991	121,500
Student transportation	8,755	-	-	8,755
Other expenditures:				
Facility acquisition and construction services	<u>-</u>	<u>-</u>	<u>44,641</u>	<u>44,641</u>
Total expenditures	<u>48,921</u>	<u>114,453</u>	<u>129,632</u>	<u>293,006</u>
Excess (deficiency) of revenues over (under) expenditures	21,997	(22,098)	(8,988)	(9,089)
Fund balances beginning of year, as restated (note 7)	<u>40,667</u>	<u>48,784</u>	<u>87,308</u>	<u>176,759</u>
Balance end of year	<u><u>62,664</u></u>	<u><u>26,686</u></u>	<u><u>78,320</u></u>	<u><u>167,670</u></u>

See accompanying independent auditor's report.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
MS Plays	179	97	200	76
HS Plays	(613)	850	237	-
Drama	38	-	-	38
Vocal Music	1,788	1,961	2,354	1,395
Instrumental Music	1,686	974	1,257	1,403
Concert	881	233	33	1,081
CM Athletics	602	2,101	2,000	703
CMB Athletics	2,683	8,955	26,733	(15,095)
Boys Basketball	135	5,345	5,361	119
Football	-	3,908	3,908	-
Shared Wrestling	(5,115)	3,037	1,231	(3,309)
Youth Wrestling	116	-	-	116
Girls Basketball	45	1,593	1,343	295
Soccer	672	3,607	3,621	658
Softball	123	2,588	2,779	(68)
Class of 2007	-	500	18	482
FFA	5,759	61	2,480	3,340
Class of 1998	147	-	147	-
Class of 1999	342	-	342	-
Class of 2004	1,408	-	1,216	192
Class of 2003	35	41	-	76
Class of 2005	353	8,975	8,699	629
Class of 2006	58	324	-	382
Dance Team	3,447	6,119	8,256	1,310
National Honor Society	-	181	134	47
HS Academic	1,576	-	255	1,321
HS Student Council	1,741	3,805	3,172	2,374
Ice Cream	1,320	-	-	1,320
MS Student Council	4,900	14,683	17,252	2,331
MS Vending	(370)	630	260	-
Post Prom Party	755	100	378	477
Interest	2,930	225	-	3,155
SADD	835	374	584	625
Springbrook	1,619	-	1,158	461
Yearbook	2,321	3,479	753	5,047

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Cheerleader	1,215	4,500	3,291	2,424
Book Fair	264	2,627	2,627	264
MS Library	1,601	200	320	1,481
Shop	2,449	476	1,792	1,133
K-5 Field Trips	32	1,331	1,347	16
6-12 Field Trips	1,013	-	10	1,003
Pepsi Caps	22	446	446	22
Spanish Club	(143)	609	-	466
Elementary	4,126	3,494	4,445	3,175
Pepsi	1,048	-	-	1,048
MPG Club	305	-	-	305
Volleyball	127	2,004	2,131	-
JH Cheerleading	20	54	-	74
Vo Ag	-	90	90	-
Math and Science Club	93	-	-	93
Courtyard	311	100	27	384
Baseball	-	1,678	1,609	69
Scoreboards	3,905	-	157	3,748
	<u>48,784</u>	<u>92,355</u>	<u>114,453</u>	<u>26,686</u>
Total	<u>48,784</u>	<u>92,355</u>	<u>114,453</u>	<u>26,686</u>

See accompanying independent auditor's report.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Local sources:				
General	1,255,579	1,291,909	1,257,954	1,190,182
Special revenue/debt service	180,223	460,376	439,723	413,179
Capital projects	313,862	44,825	40,951	42,044
	<u>1,749,664</u>	<u>1,797,110</u>	<u>1,738,628</u>	<u>1,645,405</u>
State sources:				
General	2,205,284	2,176,005	2,088,049	2,102,696
Special revenue/debt service	3,657	229	361	533
	<u>2,205,284</u>	<u>2,176,234</u>	<u>2,088,410</u>	<u>2,103,229</u>
Federal sources:				
General	<u>121,278</u>	<u>116,830</u>	<u>49,756</u>	<u>89,380</u>
Total	<u><u>4,076,226</u></u>	<u><u>4,090,174</u></u>	<u><u>3,876,794</u></u>	<u><u>3,838,014</u></u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance and
on Internal Control over Financial Reporting**

To the Board of Education of the
Collins-Maxwell Community School District:

We have audited the financial statements of the Collins-Maxwell Community School District, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 25, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Collins-Maxwell Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Collins-Maxwell Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Collins-Maxwell Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-I-A is a material weakness. Prior year reportable conditions have all been resolved except for item 04-I-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Collins-Maxwell Community School District and other parties to whom Collins-Maxwell Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Collins-Maxwell Community School District during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

August 25, 2004

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

04-I-A Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

04-I-B Activity Deficit Balances - We noted that the athletic accounts in the Student Activity Fund have deficit balances at June 30, 2004.

Recommendation - We recommend that the District investigate alternatives in order to bring these accounts into a positive financial position.

Response - We will investigate alternatives to comply with the recommendation.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

04-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget - Disbursements for the year ended June 30, 2004, did not exceed the certified budget amount.

04-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting:
(continued) :

- 04-II-E Business Transactions - No business transactions between the District and District officials or employees.
- 04-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 04-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 04-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 04-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

